ANNUAL REPORT 2001 2002

Know what these do?

INDUSTRIAL TECHNOLOGY CENTRE

A Special Operating Agency of Manitoba Industry, Trade and Mines

We do.

INDUSTRIAL TECHNOLOGY CENTRE

ITC's goals, essential to fulfillment of its mission, are as follows:

TO HELP OUR CLIENTS ANTICIPATE, IDENTIFY AND APPLY APPROPRIATE TECHNOLOGIES

TO SUPPORT AND CONTRIBUTE TO ECONOMIC DEVELOPMENT IN MANITOBA

TO SUSTAIN AND ENHANCE CLIENT RELATIONSHIPS BY PROVIDING HIGH QUALITY VALUED TECHNICAL SERVICES

TO ACHIEVE LONG TERM ECONOMIC STABILITY

TO CULTIVATE A WORK ENVIRONMENT THAT PROMOTES EMPLOYEE ACHIEVEMENT, CREATIVITY, INITIATIVE AND GROWTH

103-00432/

ITC's VISION is "To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

ITC's MISSION is "As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba."

Minister's Letter of Transmittal

June 30, 2002

His Honour
The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2002.

Respectfully submitted,

MaryAnn Mihychuk, P.Geo., Minister

Deputy Minister's Letter of Transmittal

June 30, 2002

Honourable MaryAnn Mihychuk
Minister Responsible for the Industrial Technology Centre
Industry, Trade and Mines
Room 358 Legislative Building
Winnipeg, Manitoba R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2002.

In keeping with our primary goal of supporting economic development in Manitoba, the Virtual Reality Centre (VRC) was officially opened on December 14, 2001. This $1.5 million state-of-the-art facility uses the latest visualization technology powered by a Silicon Graphics supercomputer, and is the first in Canada established to provide services primarily to private companies. This facility provides opportunities to improve product design and development, visualize large-scale infrastructure projects and assist with urban planning activities. This will enable Manitoba companies to gain a competitive advantage in global markets.

This latest acquisition builds upon ITC's capabilities for providing technical services to help companies improve the quality and cost-effectiveness of their products and processes. ITC's commitment to quality was further enhanced when the calibration laboratory was the first in Western Canada to receive Calibration Laboratory Assessment Service (CLAS) accreditation.

ITC achieved an operating surplus while reducing its reliance on provincial funding and making a significant investment in the VRC. This represents a continuation of the financial success that ITC has achieved since becoming a Special Operating Agency in April 1996.

On behalf of the Advisory Board, I would like to thank our stakeholders for their ongoing support of ITC, and all staff for their hard work and contributions to another very successful year.

Respectfully submitted,

Hugh Eliasson, Deputy Minister and Chairperson of
the Industrial Technology Centre Advisory Board

Message from the Chief Operating Officer

June 30, 2002

On behalf of staff, I am pleased to report on the achievements of the Industrial Technology Centre (ITC). During the past year, ITC continued to build its technical capabilities to meet the needs of Manitoba industry.

The establishment of the Virtual Reality Centre gives industry access to the latest visualization technology, and provides opportunities for users to reduce the time to take a product from concept to market. It also gives other stakeholders, such as the consulting engineering community and educational establishments, the chance to experience the benefits that this technology can bring to infrastructure projects and skills development. Manitoba is now positioned to be a leader in the use of virtual reality as a driver to improve competitive advantage.

ITC's financial performance has continued to be sound as ITC recorded another operating surplus and increased the number of projects undertaken. Client satisfaction data continues to show that ITC provides high quality, cost-effective services and builds long-lasting relationships with all its customers. Our commitment to quality is clearly demonstrated as we seek to continuously improve our value-added services and maintain ISO 9001 registration.

ITC will continue to build upon its customer base by providing the technical services needed by Manitoba industry and investing in new technologies. ITC's success is due to the strong partnerships with all its stakeholders and customers, the hard work and dedication of our staff, and the continued strong support of our Advisory Board.

Thank you, everyone, for your efforts in building a great organization!

Trevor Cornell

Trevor Cornell
Chief Operating Officer

1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) on April 1, 1996. ITC now operates under the authority of Industry, Trade and Mines (IT&M), Research Innovation and Technology (RIT) Division.

Under SOA status, ITC operates outside the Consolidated Fund and has the ability to retain revenues, enter into contracts, access loans for capital purchases, increase/decrease staffing levels and invest surplus funds. An Advisory Board, which includes private sector representatives, is chaired by the Deputy Minister of IT&M. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements. Under the SOA model, ITC records its transactions in accordance with Canadian generally accepted accounting principles (GAAP).

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with IT&M to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations. ITC also partners with the National Research Council of Canada (NRC) in delivery of the Industrial Research Assistance Program (IRAP) in Manitoba.

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

ITC's services are categorized as:

- Technical Information and Advisory Services
- Engineering
- Document Examination Services (DES)
- Industrial Research Assistance Program (IRAP)
- Virtual Reality Centre (VRC)

1.2 Service Lines

Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance, which may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. A range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

An "Excellence in Manufacturing" Information Centre has been developed. This provides an enhanced library collection in current and new manufacturing technologies and philosophies, such as Lean Production, Virtual Reality, Rapid Prototyping, and Advanced Manufacturing Technologies.

Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

Mechanical Testing

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment

Dimensional Calibration

In October 2001, ITC became the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

Dimensional Inspection

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and the FaroArm, a portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

Machine/Product Design

ITC's computing technology (SGI 320 hardware, and advanced modelling and analytical software) allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis, and modelling of parts to predict their performance. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

Custom Data Acquisition

ITC provides solutions to automate data collection and control processes using National Instruments (NI) hardware and LabView software. ITC is an NI Alliance member, which recognizes our product knowledge, application experience, and relationship with National Instruments.

Noise Measurement and Control

ITC can identify and analyze excessive noise problems in the workplace, and develop noise control solutions. We can also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

Vibration Measurement and Control

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

Custom Engineering

ITC assembles teams to troubleshoot processes and equipment, carry out complex engineering projects, design and fabricate custom testing equipment, or develop other innovative technical solutions.

The market for Engineering services is primarily manufacturing companies in Manitoba. Standards Council of Canada and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

Document Examination Services (DES)

Document Examination Services provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada, the U.S. and overseas. ITC is the sole commercial Canadian laboratory providing these services.

Industrial Research Assistance Program (IRAP)

ITC participates in the National Research Council's (NRC's) Industrial Research Assistance Program (IRAP) via a contribution agreement. The IRAP relationship has been in place for 20 years, and together, ITC and IRAP provide technical information and transfer appropriate technologies to Manitoba industry.

IRAP is founded on a national network of about 250 Industrial Technology Advisors (ITAs) who provide technical advice and assistance. In Manitoba, four ITAs are employed by ITC through an annual contribution agreement with NRC.

IRAP services are provided to SMEs throughout Manitoba.

Virtual Reality Centre (VRC)

The Virtual Reality Centre officially opened on December 14, 2001. This state-of-the-art facility uses virtual modelling technology to facilitate improved:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific engineering applications

The VRC is the only one of its kind in Canada that has been established to address industry needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.

The capabilities of the VRC will also be used to undertake collaborative projects with other research organizations such as the NRC's Integrated Manufacturing Technologies Institute (IMTI) in London, Ontario.

Partnerships with educational institutions, such as the University of Manitoba and Red River College, will enable both researchers and students to gain expertise in advanced product development techniques and visualization technologies.

1.3 Human Resources

ITC's corporate culture is based on innovation and service excellence.

Staff have agreed upon a set of values, including:

- Recognizing people as our most important asset
- Expecting honesty, integrity and confidentiality
- Supporting professional growth
- Encouraging innovation
- Open communication
- Respect and kindness

Initiative is both encouraged and expected – all staff are key to ITC's success.

"Thanks for your continued help and expertise in materials testing, calibration, and technical information services."

Michael H. Bielert, Quality Assurance Manager
Gregory T. Whiteside, Machining Supervisor
Custom Castings Ltd.

2.1 Background

IT&M supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development	To support and contribute to economic development in Manitoba
Financial	To achieve long-term economic viability
Customer	To sustain and enhance client relationships by providing high quality, valued technical service
Internal Business Processes	To identify and apply appropriate technologies
Learning and Growth	To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

"Acsion often receives requests for information on various aspects associated with radiation processing. Acsion has relied on the library services at ITC, which we have found to be exemplary."

Terry Stepanik
Director, New Business Development
Acsion Industries Ltd.

2.2 Performance

Economic Development

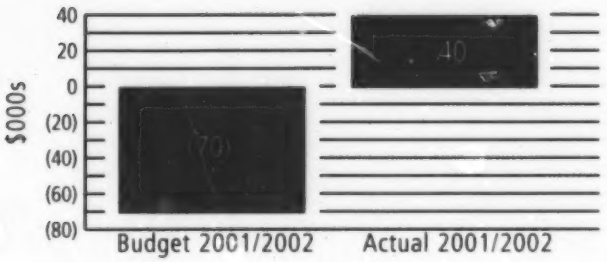
ITC clients in FY 2001/2002 reported the following impacts:

Category	Impact of ITC Services
New Jobs Created	
Jobs Saved/Maintained	
Sales Increase	
Cost Savings Identified	
Investment Increases	
Impacts of ITC on Client Business Functions	

These results are compiled from the responses of 70 individuals representing a sample of ITC clients (61 clients). No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 250 clients).

Financial

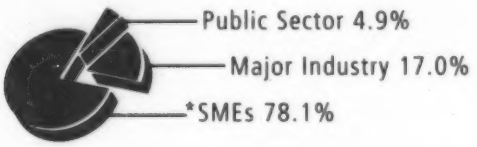
ITC's net income for the year ended March 31, 2002 was $110K over budget.



Customer

Surveys indicated that 91% of clients were satisfied with ITC's services. The average level of satisfaction for ITC clients was 8.24, on a scale of 1 to 10. Results show that ITC builds long-lasting, strong relationships with individuals and businesses.

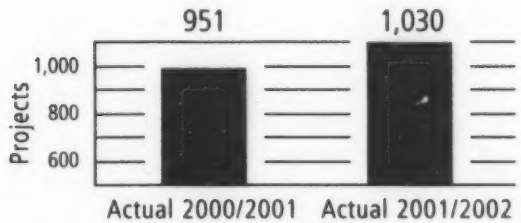
ITC's customer base consists of the following:



*SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

Customer Activity

ITC undertook 79 more customer projects than in the prior year.



Internal Business Processes

ITC continues to maintain ISO 9001 registration, with the following quality policy:

"The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

- The Virtual Reality Centre has been established to provide Manitoba industry with access to new technology
- Calibration Laboratory Assessment Service (CLAS) accreditation for the calibration laboratory was received in October 2001
- Information systems have been evaluated and improvements were implemented during FY 2001/2002
- ITC continues to maintain Standards Council of Canada (SCC) accreditation for the materials testing laboratory

Learning and Growth

ITC's Work Environment Committee has conducted staff surveys that report a positive work environment with good communication and high morale.

ITC continues to encourage and support staff training and development congruent with corporate and personal goals. In order to match and develop employee skills to meet specific service needs, ITC has implemented a training plan as part of its ISO 9001 Quality System.

2.3 Project Highlights

A sample of the impact that ITC has made in the following sectors during FY 2001/2002:

Aerospace

Researched information on a new material and application technology for use in the aerospace and military sectors. ITC's library services performed on-line, web literature and patent searches, and obtained documents using interlibrary loans

Undertook noise measurements in an engine test cell

Performed on-site modal testing of a satellite. This project determined the satellite's vibration characteristics, and provided data to the company's engineers to evaluate their design

Conducted noise surveys that enabled the client to comply with workplace noise regulations

Calibrated dimensional items for Manitoba companies, providing accredited calibration services and traceability to national measurement standards

Agribusiness

Conducted solid modelling and Finite Element Analysis (FEA) of a newly designed loader bucket, to determine stress distributions

Inspected a new type of veterinary needle used in the hog/livestock industry, to refine its design

Provided material testing and analysis of tractor parts for compliance to manufacturer specifications

Performed reverse engineering of a complex curved sculptured part using the FaroArm for a Winnipeg manufacturer

Supplied "points on surface" and "splines" on a section of a fiberglass front cowling to assist a manufacturer in reverse engineering a part

Used FEA techniques to assist a local agricultural equipment manufacturer in the performance assessment of an existing support structure, and in the development of a new support design

Solved a production process problem for a meat processor, using material testing

Building and Architecture

- Performed anchor pull-out tests on masonry bricks
- Tested the structural integrity of steel support beams from a building gutted by fire
- Used the Virtual Reality Centre to visualize a new processing plant
- Assisted a property manager in improving the acoustic isolation between two adjacent tenants in a commercial building
- Developed environmental noise modelling and control for a rooftop HVAC system
- Conducted noise modelling of an air conditioner retrofit for a downtown building. This analysis, using SoundPLAN software, evaluated several scenarios, providing an optimum solution for noise control

Environment and Resources

- Provided assistance regarding the development of battery technology
- Conducted patent and literature searches to evaluate alternative control systems for solid fuel furnaces
- Participated in developing the agenda, program, and speakers list for a Wastewater Workshop
- Industrial Technology Advisors worked closely with IRAP's National Sustainable Development Office to develop a workshop incorporating "Design for Environment" elements into lean manufacturing principles
- Participated in planning a conference in Winnipeg on "Hydrogen and Fuel Cells"
- Utilized Finite Element Analysis (FEA) to evaluate the design of drilling equipment. This enabled a Manitoba manufacturer to improve product life performance
- Undertook on-site balancing of paper dryers for a paper mill

Health and Public Sector

- Assisted two companies in the health sector that are developing pharmaceutical products
- Developed a data acquisition system, including hardware and software, to monitor the physiology of rats and to control drugs and anesthetics administered. This testing is in support of diabetes research
- Assisted in the refurbishment of the Golden Boy by providing chemical and microstructure analysis

Manufacturing

- Assisted with the selection of components used in the production of curling equipment, for a local manufacturer
- Advised a company in their development and implementation of a lean manufacturing program
- Helped a manufacturer in the implementation of a new injection molding process
- Provided advice in composites parts research and development, along with the development of new process technology
- Assisted with the experimentation and design of a press used to manufacture grates for air ventilation
- Developed a data acquisition system, including hardware and software, for a prototype wave energy device currently being tested in Manitoba
- Secured a bulk-testing contract for a local casting company to conduct tensile tests
- Inspected a component of a military vehicle for comparison to drawing specifications, using the FaroArm (a portable multi-axis measurement arm)
- Acquired a collection of books focusing on "Excellence in Manufacturing"
- Provided advice on the evaluation of suppliers of components used in the manufacture of car starters
- Identified international standards for design and testing of products
- Tested a manufacturer's windows for compliance with Federal Motor Vehicle Safety Standards (FMVSS)
- Used Finite Element Analysis (FEA) to conduct a comparative study of extrusion profiles for a manufacturer of window frame moldings
- Inspected the threads of a fluid connection head to determine the cause of leaks
- Performed weld qualification tests for a fabricator of large structures (e.g. bridges)
- ITC's Librarian assisted a local entrepreneur in getting his product registered in the U.S.
- Provided guidance on the adoption of Computer Aided Design (CAD) and solid modelling for a boat manufacturer
- Provided accredited calibration services and traceability to national measurement standards for Manitoba companies

Printing

- Measured the dimensions of printing process cylinders using a variety of inspection tools
- Conducted noise surveys that enabled the client to comply with workplace noise regulations

Transportation

- Performed environmental and peel testing of an adhesive used in bus manufacturing
- Undertook noise evaluation studies, enabling our client to establish an urban bus noise mitigation program
- Inspected failed connecting rod components for a manufacturer of locomotive engines
- Performed comprehensive vibration studies on a radiator bracket and a compressor pump bracket
- Prepared a base-line noise survey for a new prototype coach, which will assist our client in complying with Transport Canada standards
- Provided tension testing of anchors and ties for a national railway company
- Tested components (brake shoes/drums, roller pins, and windshield wipers) for compliance to a manufacturer's specifications
- Tested flexural strength of composite luggage racks
- Tested the functionality of a pressure relief system for an engine fan drive

Utilities

- Completed the feasibility study of a vibration recorder for Manitoba Hydro
- Continued monitoring of a transmission line ground wire for Manitoba Hydro. This will help diagnose suspected weather-related damage

Wood Products

- Conducted load testing of components for a window manufacturer
- Tested internal bond strength of particleboard components for a furniture manufacturer

Highlights ($000s)

	2001/2002	2000/2001	Variance
Revenue			
Province of Manitoba	750	765	(15)
Fee for service	2,009	2,255	(246)
Other	36	65	(29)
Expense			
Salaries and benefits	1,876	1,911	(35)
Other expenses	879	934	(55)
Net income	**40**	**240**	**(200)**

During FY 2001/2002, ITC has:

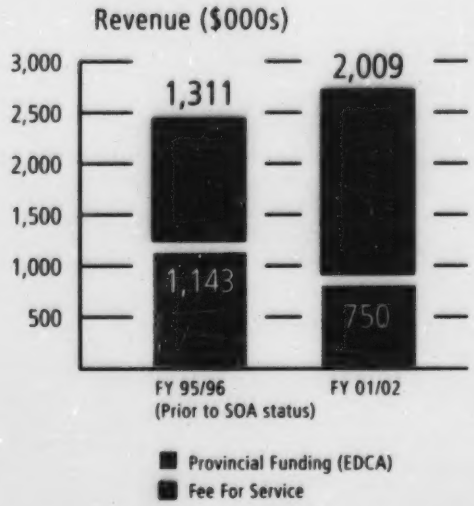
Achieved an operating surplus Invested in new technologies

The decrease in fee for service revenue can be attributed primarily to IRAP and Document Examination Services. The reduction in IRAP revenues resulted from the NRC's change in delivery of its IRAP program. The decrease in Document Examination Services is due to the non-renewal of one major contract with a U.S. client.

The results given in this annual report for FY 2001/2002 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities. With the continued support of all stakeholders, ITC will meet the challenges resulting from an ever-changing business environment.

"I am extremely grateful to the Industrial Technology Centre for allowing me to conduct my experiments at your facilities. The experiments performed were crucial to the completion of my undergraduate thesis."

Nadine Romas
Engineering Student



In its six years of operation as an SOA, ITC has:

Achieved a 34% reduction in Provincial Funding

Achieved a 53% increase in Fee for Service Revenue

Management Report

May 23, 2002

For the year ended March 31, 2002

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 23, 2002.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

Auditors' Report

May 23, 2002

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **Industrial Technology Centre** as at March 31, 2002 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba

Balance Sheet

As at March 31, 2002 (in thousands)	2002	2001
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	$ 558	$ 869
Accounts receivable	397	1,063
Prepaid expenses	26	20
	981	1,952
Due from Province of Manitoba (Note 5)	103	103
Capital assets (Notes 2 and 4)	848	418
	$ 1,932	$ 2,473
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 519	$ 1,111
Severance liability (Note 5)	149	138
	668	1,249
Equity		
Contributed Equity (Note 6)	62	62
Retained Earnings	1,202	1,162
	1,264	1,224
	$ 1,932	$ 2,473

"I would like to thank you for your support of the Design and Construction Technology Students at Red River College. The exposure and information that you provided will be beneficial to the students' understanding of Virtual Reality Technology."

Shari Bielert - Instructor
Design and Construction Technology
Red River College

The accompanying notes are an integral part of these financial statements.

Statement of Earnings and Retained Earnings

For the year ended March 31, 2002 (in thousands)	2002	2001
Revenue		
Province of Manitoba	$ 750	$ 765
Fee for service	2,009	2,255
Other	36	65
	2,795	3,085
Operating expenses		
Advertising and promotion	129	73
Amortization	120	111
Audit and legal	10	15
Bad debts	3	1
Building maintenance	44	50
Computer	27	73
Equipment	48	28
Fees and memberships	20	45
Heat and utilities	33	33
Insurance	46	25
Laboratory supplies	37	63
Library operations	36	23
Loss on disposal	6	-
Office	63	71
Professional development	73	80
Purchased services	35	45
Rent and property tax	87	111
Salaries and benefits	1,876	1,911
Travel	62	87
	2,755	2,845
Net earnings	40	240
Retained earnings at beginning of period	1,162	922
Retained earnings at end of period	$ 1,202	$ 1,162

The accompanying notes are an integral part of these financial statements.

"Thank you for hosting a technology outreach experience for our students, and for helping to make this part of our 'Tech Days' program a success."

Doreen Worbanski
Outreach Program Co-ordinator
Charleswood Junior High School

Statement of Cash Flow

For the year ended March 31, 2002 (in thousands)	2002	2001
Cash derived from (applied to):		
Operating activities		
Net earnings	$ 40	$ 240
Items not involving cash		
Amortization	120	111
Loss on disposal	6	-
	166	351
Changes in non-cash working capital balances		
Accounts receivable	666	(881)
Prepaid expenses	(6)	2
Accounts payable and accrued liabilities	(533)	780
Severance liability	11	9
	304	261
Investing activities		
Acquisition of capital assets	(615)	(63)
Net increase (decrease) in cash and cash equivalents	(311)	198
Cash and cash equivalents at beginning of period	869	671
Cash and cash equivalents at end of period	$ 558	$ 869
Represented by:		
Cash and bank	$ 34	$ 100
Funds on deposit with the Minister of Finance	524	769
	$ 558	$ 869
Interest revenue included in cash flow from operating activities	$ 26	$ 37

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2002 (in thousands)

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors. ITC also partners with the National Research Council for delivery of the "Industrial Research Assistance Program" in Manitoba.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Industry, Trade and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Industry, Trade and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Industry, Trade and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	20%, straight-line

3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2002 working capital advances were nil (2001 – nil). The line bears interest at the prime rate and is not secured by specific assets.

4. Capital Assets

	2002		2001	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	$ 4	$ 2	$ 4	$ 1
Office and laboratory equipment	768	268	490	194
Computer equipment and software	451	135	299	180
Leasehold improvements	32	2	-	-
	$ 1,255	**$ 407**	**$ 793**	**$ 375**
Net book value		**$ 848**		**$ 418**

5. Severance Pay Benefits

Effective April 1, 1998, ITC began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The receivable from the Province, or portion thereof, for the Industrial Technology Centre, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Industrial Technology Centre.

An actuarial valuation report of ITC's severance as at March 31, 2000 has been completed. The report provides a formula to update the liability on an annual basis. ITC's liability has been calculated in accordance with this formula.

6. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

7. Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease, expiring on March 31, 2005, requires future lease payments as follows:

2003	$ 84
2004	$ 91
2005	$ 91

This lease agreement may be terminated on March 31, 2003 or March 31, 2004, at ITC's option.

8. Pension Liability

In accordance with the provisions of The Civil Service Superannuation Act, employees of ITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. ITC matches the employees' contributions to the Fund. Under this Act, ITC has no further pension liability.

9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

10. Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2002 are disclosed in the Special Operating Agency Financing Authority (SOAFA) annual report. This compensation information is also available in ITC's Library.

Budget Analysis (Appendix 1)

Operating Results ($000s)	2001/2002 Actual	2001/2002 Budget	Variance
Revenue			
Province of Manitoba	$ 750	$ 750	$ -
Fee for service	2,009	2,374	(365)
Other	36	10	26
Expense			
Salaries and benefits	1,876	2,205	(329)
Other expenses	879	999	(120)
Net income	**$ 40**	**$ (70)**	**$ 110**

Expenses ($000s)	2001/2002 Actual	2001/2002 Budget	Variance
Advertising and promotion	$ 129	$ 85	$ 44
Amortization	120	148	(28)
Audit and legal	10	10	-
Bad debts	3	16	(13)
Building maintenance	44	40	4
Computer	27	71	(44)
Equipment	48	34	14
Fees and memberships	20	26	(6)
Heat and utilities	33	36	(3)
Insurance	46	39	7
Laboratory supplies	37	67	(30)
Library operations	36	34	2
Loss on disposal	6	-	6
Office	63	77	(14)
Professional development	73	96	(23)
Purchased services	35	31	4
Rent and property tax	87	111	(24)
Travel	62	78	(16)
Total	**$ 879**	**$ 999**	**$ (120)**

Fee for service contracts were lower than budget, primarily due to Document Examination Services (DES), the Industrial Research Assistance Program (IRAP), and Engineering. The variance in DES is due to the non-renewal of one major contract with a U.S. client. The variance in IRAP revenue is due to the National Research Council's (NRC's) progress in revising its delivery mechanism for IRAP. The variance in Engineering revenue is primarily due to machine/product design, and large custom projects.

Other revenue exceeded budget, primarily due to interest income and revenue from administrative services.

Salaries and benefits were lower than budget, primarily due to the transition in delivery of IRAP, Engineering with one vacant position and one resignation, and Corporate Services with one retirement.

In response to reductions in contract revenue, ITC has focused business development efforts on new markets for DES services, expanding delivery of Engineering services, and promoting advanced product visualization and prototyping techniques to Manitoba industry. ITC has made a concerted effort to reduce operating costs, which will be closely evaluated and controlled on an ongoing basis.

"The Standards Council of Canada assessment team would like to particularly commend your Material Testing Laboratory staff for their professionalism, knowledge and expertise."

Jean-Pierre Hösli, Ph.D.,
SCC Conformity Assessment Division

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